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Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Multi-stakeholder consultations on financing for development: An overview

I. Introduction

1. The General Assembly, in its resolution 58/230 of 23 December 2003, called upon the Financing for Development Office of the United Nations Department of Economic and Social Affairs to continue:

"(a) To organize workshops and multi-stakeholder consultations, including experts from the official and private sectors, as well as academia and civil society, to examine issues related to the mobilization of resources for financing development and poverty eradication;

(b) To convene activities involving various stakeholders, including the private sector and civil society, as appropriate, to promote best practices and exchange information on the implementation of the commitments made and agreements reached at the International Conference for Financing for Development."

2. In response to that request, the Financing for Development Office launched a series of multi-stakeholder consultations that has been going on three parallel tracks, in cooperation with major civil society and business entities that have been closely engaged in the financing for development process. The first track of consultations has been coordinated by the Financing for Development Office itself, the second one by the World Economic Forum and the third one by the New Rules for Global Finance Coalition.

3. The present paper provides a brief overview of the relevant activities that started in the second half of 2004 and have continued in the first half of 2005. Interim reports on substantive outcomes of each track of the consultations will be also made available to the High-level Dialogue on Financing

for Development (New York, 27-28 June 2005). Final reports on the findings and recommendations of the consultations will be prepared for the sixtieth session of the General Assembly.

II. Multi-stakeholder consultations coordinated by the Financing for Development Office

4. The Financing for Development Office has initiated, in cooperation with several members of the United Nations family, two sets of consultations on the following themes:

(a) Building inclusive financial sectors for development;
(b) Sovereign debt for sustained development.

A. Building inclusive financial sectors for development

5. The Financing for Development Office and the United Nations Capital Development Fund (UNCDF) led a consultative process to address constraints to the expansion of access to financial services of households, micro-, small- and medium-size enterprises in developing and transition economies. The object has been to develop an appreciation of experiences in extending credit, and offering personal savings, insurance and payment services, including receipt of international remittances. A multi-agency coordination group composed of the World Bank, the International Monetary Fund (IMF), International Labour Organization (ILO), and International Fund for Agricultural Development, as well as regional institutions and networks, has supported the consultations. In addition, the Swiss Government has provided generous financial support to this exercise. The consultative process, which also forms part of the activities under the International Year of Microcredit 2005, will lead to the publication of a "Blue Book on Building Inclusive Financial Sectors." The Blue Book will aim to serve as a companion to dialogues on financial sector development policy at the country level.

6. The consultations were launched in Amman, Jordan on 12 October 2004, as an associated session of the Middle East and North Africa Microcredit Summit. Discussions focused on: (i) the constraints to reaching a well-functioning financial sector; (ii) the need to develop a common understanding of the constraints to building inclusive financial sectors in different country settings; and (iii) the need to stimulate concrete action at the country level.

7. The second consultation was held in Bamako, Mali, as part of the African Microfinance Network's Fourth Annual Conference on 6-10 December 2004. A total of 124 individuals participated in the meeting, 100 of them coming from African countries and 17 from developed countries, the latter mostly microfinance specialists in non-governmental organizations that provide services and research to the industry. The African participants came from microfinance institutions and networks, government ministries and central banks, and the private sector. Seven participants came from international organizations, including the Consultative Group to Assist the Poor (CGAP), the ILO, the IMF and the United Nations Development Programme (UNDP).

8. The meeting was intended to share information and experiences with policies and strategies to increase the outreach and effectiveness of microfinance in Africa. It focused on: (i) existing constraints on both the demand and supply of financial services for the poor in Africa; (ii) ways in which the expectations of poor clients could be addressed in a sustainable and effective manner; and (iii) working towards a more supportive national policy environment and more effective international donor policy.

9. The third consultation was organized in cooperation with the Asian Development Bank (AsDB). The meeting took place in Manila, Philippines on 14-16 March 2005 in conjunction with the "Microfinance Week" activities organized by the AsDB. Representatives from 19 Asia/Pacific developing countries and eight other countries attended the consultation, as did individuals from international microfinance networks and non-governmental organizations, as well as representatives of international financial and other institutions, including the ILO, UNDP and the World Bank.

10. The consultation was concerned with building inclusive financial sectors for development in the Asia/Pacific region. It addressed the following issues in roundtable discussions: (i) existing constraints and opportunities in responding to client demand; (ii) reasons for insufficient supply of financial services for the poor; and (iii) the role of public policy.

11. The fourth consultation of this series was held in Santiago, Chile on 19-20 April 2005, in cooperation with the World Savings Bank Institute. It also enjoyed important support from the UNDP Office in Chile, the Economic Commission for Latin America and the Caribbean (ECLAC) and the Microcredit Summit Campaign. The focus was on building inclusive financial sectors in Latin America and the Caribbean. This consultation was structured around the following topics: (i) regional successes and challenges in extending credit to micro entrepreneurs; and (ii) extending credit to unserved and underserved populations.

12. In addition to these regional face-to-face meetings, the Financing for Development Office and UNCDF joined with the World Bank Institute to hold an "e-Conference" on "Building inclusive financial sectors for development: widening access, enhancing growth, alleviating poverty." Planned for 28 March – 8 April 2005, the e-Conference was extended until 13 April to allow broader participation. As a result, about 800 individuals from 111 countries took part in the e-discussion. In addition, interested parties were invited to provide further input to the "Blue Book process" through a questionnaire posted on the "Blue Book" website in March and April 2005.

13. Taking these discussions and other matters into account, the Financing for Development Office and UNCDF prepared an "Issues Paper," with assistance from the global partner institutions, to serve as a synthesis of the previous exercises and an outline, in effect, of the Blue Book. It indeed served as the basis for discussion at a concluding global consultation, which was hosted by the ILO in Geneva on 4-5 May 2005. Over 130 experts and financial sector stakeholders from 44 countries participated in the global meeting. Representatives of developing and transition economy governments and central banks, donor government agencies, official international institutions, commercial service providers, international and domestic networks of microfinance institutions and independent academics and consultants gathered for plenary presentations and smaller roundtable discussions to

consider the challenges to building inclusive financial sectors and, in particular, to comment on the Issues Paper and thus help the United Nations draft the Blue Book.

14. Participants at this global meeting divided themselves into three round tables, which focused respectively on: (i) demand and supply issues; (ii) relationships of small-scale financial services providers with the wider financial system; and (iii) the financial policy environment as it relates to small-scale financial services. Following this meeting, UNCDF and the Financing for Development Office have set about to draft the Blue Book, review the manuscript in an inter-agency meeting of core partners, and launch it in the General Assembly in November 2005.

15. More detailed information concerning this theme is available online at http://www.un.org/esa/ffd/09multi-stake-consul-flyer-finsector.htm. This material and details of the e-Conference are also contained in a CD-ROM prepared by the World Bank Institute, the Financing for Development Office and UNCDF for distribution at the High-level Dialogue on Financing for Development.

B. Sovereign debt for sustained development

16. Given the economic and social turmoil associated with crises in servicing government debt in numerous developing and transition economies, the international community has focused attention on more effective treatment of sovereign debt before, during and after crises. The consultations on sovereign debt were conceived as creating a space for all the relevant stakeholders to meet informally to discuss practical concerns in debt policy and debt management. Most meetings on debt can be classified as either seminars or efforts to negotiate policy reforms. The multi-stakeholder debt consultations were meant to offer a different type of forum, one where stakeholders who rarely speak to each other — and perhaps never jointly — could do so in an unscripted and off-the-record discussion. Indeed, it turns out that governments, international institutions, the private sector and civil society have much to say to each other on sovereign debt and have more shared concerns and views than might have been expected.

17. The Financing for Development Office prepared these consultations with the close cooperation of UNCTAD, IMF and the World Bank. In addition, the Government of Norway provided generous financial support for this effort. The process began with the drafting of an Issues Note prepared by the Financing for Development Office in close cooperation with its core partners. The Issues Note sought to stipulate what were the main issues confronting borrowing countries in regard to the external government borrowing and debt. There were three foci: (i) operationalizing the concept of "debt sustainability"; (ii) issues in managing sovereign debt (including relations between a debtor and its creditors in good times and bad); and (iii) practical ways to contain risk and reduce uncertainty owing to external sovereign debt. In addition, civil society and the private sector were invited to respond to the Issues Note. While the private sector formed an advisory group that interacted informally with the Financing for Development Office, non-governmental organizations provided a written response that may be found on the Financing for Development web page.

18. The first consultation of the series, organized by the Financing for Development Office in cooperation with its core partners and ECLAC, was held in New York on 7-8 March 2005. The meeting focused on sovereign debt issues for countries that access international financial markets. It began with panel presentations held in an informal and open session of the Second Committee of the General Assembly, followed by two simultaneous round tables of 52 specially invited participants and a concluding joint roundtable discussion. Twenty of the participants were from governments, almost all from ministries of finance, foreign affairs and investment, or from central banks. In addition, there were nine participants from international institutions, nine independent specialists (mainly from academic institutions), seven senior executives from the private financial and legal community, and seven civil society advocates. A number of proposals were put on the table during the course of the discussions, including on how to operationalize debt "sustainability," how to improve information sharing and communication, and how to resolve debt crises. A number of proposals were also made on how to go about further consideration of those issues.

19. The second consultation was organized jointly with the Commonwealth Secretariat, which had decided to open its Ministerial Forum to a number of non-Commonwealth participants, including a number of finance ministers from Francophone Africa and l'Agence Intergouvernementale de la Francophonie. The consultation was held in Maputo, Mozambique on 17 March 2005, immediately following the seventh meeting of the Commonwealth Ministerial Forum on 15-16 March 2005, as an additional meeting of the enlarged group, to which were added participants from civil society and the private sector, as well as Debt Relief International, a non-profit entity undertaking capacity building and technical support in debt policy in heavily indebted poor countries (HIPCs).

20. The Maputo consultation focused on issues of special interest to HIPC and other low-income sovereign debtors. Four roundtable discussions took place on the following topics: (i) debt, aid and economic policy management; (ii) private finance instead of sovereign debt in low-income countries; (iii) debt sustainability and development; and (iv) effective debt workout processes.

21. The roundtable discussions focused on the situation in the many African countries with debt concerns and considered, *inter alia*, political as well as technical aspects of debt management and debt workouts. As the former are less frequently highlighted and in order to give a sense of the frank and fresh interaction, it might be worth noting that considerable concern was expressed that legislatures be adequately informed to enable them to deliberate more effectively, that donors as well as debtor governments be monitored on the timely delivery of commitments, that some international partners strengthen understanding of the specific situation on the ground in countries being assisted, and that it be recognized that "ownership" of policy arises from an inclusive domestic political process and not just "signatures on a piece of paper."

22. The final consultation on the subject will be held in Geneva on 20-22 June 2005, in conjunction with the fifth UNCTAD Inter-Regional Debt Management Conference. This meeting, like the first consultation of the series, will combine panel presentations in a large plenary and two simultaneous smaller roundtable discussions among selected participants in the Conference. As in the previous consultations, they will be drawn from governments, international institutions, the private sector and civil society.

23. The Conference will address issues of concern to debt managers and policy specialists, including sovereign debt of low- and middle-income countries and relationships of a debtor government with both its private and official creditors, all of whom will be represented at the meeting. Specific topics of the consultation will include: (i) an inclusive approach to managing sovereign debt in good times and bad; (ii) operationalizing "debt sustainability"; (iii) recent experiences in debt crisis management (iv) the changing role of the debt manager; (v) recent experiences in the organization of debt management offices; (vi) data quality issues; (vii) delivering greater information and transparency in debt management; and (viii) additional debt relief.

24. Detailed information on all consultations on this theme is available online at: http://www.un.org/esa/ffd/09multi-stake-consul-flyer-debt.htm.

III. Multi-stakeholder consultations coordinated by the World Economic Forum

25. The second track of multi-stakeholder consultations has been coordinated by the World Economic Forum in cooperation with the Financing for Development Office. It explored two main focus areas:

(a) Understanding how private-public partnerships can improve the reach and effectiveness of development assistance;

(b) Improving the climate for private investment.

26. An interim report on this initiative, prepared by the World Economic Forum for the High-level Dialogue on Financing for Development, summarizes themes and priorities that have emerged from the eight multi-stakeholder meetings of this series. The information below outlines the general framework of these consultations and indicates the broad issues that were discussed.

A. Public-private partnerships for improving the reach and effectiveness of development assistance

27. The first segment of the project has been examining the status and promise of public-private partnerships (PPPs) in three particular areas of development: health, education and water. Nearly three-quarters of the sector-specific indicators for measuring progress on the Millennium Development Goals (MDGs) relate to these areas. It is also these sectors in which participation of the private sector is often the most politically contentious. While PPPs in the sectors of power, transport and telecommunications can, for the most part, continue to utilize conventional mechanisms (principal agent contracts, risk transfer, long-term agreements and support from mainstream financial institutions), the nature of the water, education and health sectors suggests the need for a broader multi-stakeholder approach and a shift towards more innovative PPP arrangements.

28. In the course of the six multi-stakeholder gatherings, two for each of the three selected areas, a number of cross-cutting issues have emerged. These include: (i) an expanded appreciation of the benefits of private sector engagement; (ii) the importance of a multi-sector approach; (iii) greater

understanding of obstacles to initiating PPPs and of financial challenges; (iv) the need to address institutional and policy issues to overcome operational barriers; (v) factors of effective governance within PPPs; (vi) the importance of achieving political will and public awareness; and (vii) the application of performance and evaluation tools.

PPPs in water

29. The first round table on PPPs in the area of water and sanitation took place on 18-19 October in Durban, South Africa. The discussion focused on partnership arrangements to: (i) scale up successful rural water and sanitation projects; (ii) build the network and management capability of public sector entities; and (iii) integrate appropriate technology for pro-poor solutions into private sector contracts, while maintaining financial returns.

30. Another consultation on this subject took place in London, United Kingdom on 10-11 May 2005. The focus was on sector-specific opportunities for, and impediments to, an expansion of development-driven PPPs in water and sanitation. The following issues were addressed: (i) local and national capacity building; (ii) micromanagement of partnerships: partner selection, contract development, governance, accountability, and impact analysis; (iii) political will: how to make water and sanitation a policy priority; (iv) financial models; and (v) revenue risk and regulation.

PPPs in education

31. The first consultation of this series was held in Brasilia, Brazil on 7-8 November 2004, to discuss practitioners' solutions to the persistent development challenges of PPPs for basic education. The round tables focused on: (i) mobilizing discretionary resources and providing innovative approaches and methodologies for higher quality education; (ii) strengthening institutions and the design of partnership implementation arrangements; and (iii) furthering dialogue and mutual trust between the more traditional stakeholders in education and the private sector at all levels.

32. The second consultation on the topic of PPPs for basic education was held in Paris, France on 27-28 April 2005. The meeting dealt with development-driven PPPs in the area of basic education. The agenda of the meeting largely built upon the discussions and conclusions of the Brasilia consultation on education.

PPPs in health

33. The first consultation on development-driven PPPs in health took place in New Delhi, India on 3-4 December 2004. In depth discussions focused on: (i) the connection between efforts to contain HIV/AIDS and Tuberculosis as well as how best to maintain financing for ongoing campaigns in these areas; (ii) the challenge of negotiating with non-traditional parties; and (iii) the need to strengthen transparency and accountability as key success factors.

34. Another round of multi-stakeholder consultations on this topic was held in Geneva on 25-26 May 2005. Its focus was on expansion of PPPs in health, including discussions and examinations of the

following topics: (i) effective governance within PPPs in health; (ii) sustainable funding: eligibility and access, addressing the funding gap, mobilizing financial resources; and (iii) increasing the effectiveness of international governmental organizations: enhancing collaboration and mediation and coordination of programmes.

B. Improving the climate for private investment

35. The second segment of the project has been examining ways in which multilateral development banks and bilateral aid agencies might expand their risk mitigation activities and deepen support for financial governance capacity building in cooperation with the private sector. This series of multi-stakeholder consultations has explored ways of improving the climate for private investment by (i) leveraging multilateral development banks and aid agencies to catalyze private investment and (ii) bringing financial governance capacity building to scale.

36. The first consultation was held in Sao Paulo, Brazil on 26-27 October 2004. The meeting focused on issues pertaining to: (i) increasing the role of the World Bank and regional development banks in risk mitigation for investors through raising the leverage for their guarantees; (ii) reallocating capital within the World Bank and multilateral development banks to strengthen their focus on private sector development; (iii) changing the articles of the World Bank so as to allow it to lend to sub-sovereign entities; (iv) developing tenor extension guarantees to strengthen local currency lending; (v) devising mechanisms for mitigating regulatory risk; and (vi) introducing performance measures to enhance efficiency and stimulate organizational change in official institutions.

37. The second consultation on leveraging official sector capital and enhancing financial governance was held in Hong Kong, China on 14-15 March 2005. The meeting dealt with the following topics: (i) systemic investment bottlenecks: key global, regional and in-country sources of inefficiency and failure; (ii) learning from the Asian crisis: risk mitigation and financial governance; (iii) mechanisms to create demand for financial governance: specific incentives and steps by governments, donors, business, and civil society; (iv) risk mitigation products and contingency facilities; (v) local capital market enhancement; (vi) redeploying the capital of the development banks; (vii) donor aid coordination; and (viii) institutional culture changes.

38. A final global meeting will take place in New York on 22 -23 June 2005. Themes that feature on the New York agenda are: (i) new risk-mitigation proposals; (ii) adapting multilateral development banks and bilateral donors to contemporary challenges; (iii) expanding the use of guarantees; (iv) expanding support of local currency and sub-sovereign financing; (v) leveraging the effectiveness of official capital; and (vi) integrating risk mitigation and capacity building with financial governance.

39. The multi-stakeholder consultations organized by the World Economic Forum were attended by a wide variety of stakeholders. Each round table on average convened about 40 experts and practitioners from the public and private sectors, as well as civil society and academia.

40. Detailed information on all consultations of this track is available online at: http://www.un.org/esa/ffd/09multi-stake-dialog-WEF.htm. In addition, hard copies of the interim

report prepared by the World Economic Forum will be made available at the High-level Dialogue on Financing for Development and thereafter at the Financing for Development Office.

IV. Multi-stakeholder consultations coordinated by the New Rules for Global Finance Coalition

41. The third track of consultations has been organized by the New Rules for Global Finance Coalition in cooperation with the Financing for Development Office. These consultations have studied systemic issues of relevance to the Monterrey Consensus. Core topics discussed in the course of four meetings of this series of consultations include:

(a) Effective representation of developing countries in the design and implementation of financial system reforms;

(b) The impact of the current reform agenda of international financial institutions on systemic stability and poverty reduction;

(c) Evaluation of alternative policies, such as counter-cyclical prudential regulations and related measures (e.g., different types of prudential regulation, capital controls, long-term borrowing in domestic currency) designed to protect developing countries' financial sectors and to promote poverty alleviation.

42. The first consultation of this series took place in Washington, DC on 16-17 November 2004. The meeting discussed concrete proposals for reforming the international financial architecture and was structured around the following sessions and topics: (i) review of the official reform agenda of the international financial institutions; (ii) financial crisis prevention; (iii) credit in times of economic crisis; (iv) management of capital flows and associated risks; and (v) institutional matters: are the right issues on the agenda?

43. The second consultation of this track took place in Lima, Peru on 17-18 February 2005. This consultation also addressed concrete proposals for reforming the international financial architecture, with a special focus on issues of particular concern to Latin America and other middle-income countries. The agenda of this meeting was structured after the programme of the first consultation of the series, with the same sessions and topics. However, interactive discussions concentrated on those topics as they related to the circumstances in Latin America.

44. The third consultation took place in Nairobi, Kenya on 30-31 March 2005. This meeting focused on the following themes, with a regional emphasis on Africa and low-income countries: (i) review of official steps taken to reform the financial system; (ii) financial crisis prevention: managing external shocks, active policies to finance the productive economy; (iii) managing risks: commodities and systemic issues, commodity price risk management; (iv) governance: approaches to increasing voice and participation of African countries on the boards of the Bretton Woods institutions; (v) financial crisis prevention: the role of the private sector; and (vi) credit during times of financial crisis.

45. The fourth and final consultation in this track took place in New York on 18-19 May 2005. In follow-up to the outcomes of the previous meetings, roundtable sessions in New York addressed the

following themes: (i) crisis prevention: proposals for borrowing in local currency and a new international debt framework; (ii) governance and credit during times of crisis; (iii) counter-cyclical policies; (iv) governance issues of the Financial Stability Forum, Bank for International Settlements and Basel Committees; (v) private sector challenges in low-income countries; (vi) commodities: systemic issues and risk management policies; (vii) slowing down capital flight through increased bank transparency.

46. The multi-stakeholder consultations convened by New Rules for Global Finance Coalition were attended by a wide range of stakeholders, including governments, experts and practitioners from international financial and trade institutions, as well as representatives from civil society and the private sector.

47. Detailed information on all consultations of this track is available online at: http://www.un.org/esa/ffd/09multi-stake-dialog-NGOs.htm. In addition, hard copies of the interim report prepared by the New Rules for Global Finance Coalition will be made available at the High-level Dialogue on Financing for Development.

V. Next steps

48. The Financing for Development Office has sought to ensure that the multi-stakeholder consultations on financing for development be fully inclusive and transparent by posting and updating information on their progress on the Financing for Development website (www.un.org/esa/ffd) and holding periodic briefings at United Nations Headquarters. Interim reports on those consultations prepared for the High-level Dialogue on Financing for Development (New York, 27-28 June 2005) will be made available both online and in hard copies. Final reports on the outcomes of the consultations will be prepared for the sixtieth session of the General Assembly. All interested parties are invited to participate in the process by offering their comments and perspectives either directly to the coordinators of individual projects or to the Financing for Development Office at ffdoffice@un.org .